

Message Text

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64

ACTION EUR-12

INFO OCT-01 ISO-00 AGR-10 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

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TO SECSTATE WASHDC 7594

INFO AMCONSUL THESSALONIKI

UNCLAS ATHENS 1518

E.O. 11652: N/A

TAGS: ECON, EFIN, GR

SUBJECT: ZOLOTAS ON ECONOMIC POLICY

1. BANK OF GREECE GOVERNOR XENOPHON ZOLOTAS SPOKE ON RADIO/AND TV INTERVIEW EVENING OF FEB 20 ON GOVERNMENT'S ECONOMIC MEASURES. MAIN POINT OF INTEREST WAS SLIGHT SHIFT IN EMPHASIS FROM PREVIOUS OFFICIAL STATEMENTS IN STRESS GIVEN TO STIMULATING THE ECONOMY. ZOLOTAS REFERRED TO REGENERATION AS MAIN OBJECTIVE OF GOG POLICY, ADDING THAT IT SHOULD BE DONE WITHOUT EXACERBATING INFLATIONARY PRESSURES OR WIDENING BALANCE OF PAYMENTS DEFICIT. SHIFT MAY BE IN RESPONSE TO GROWING CRITICISM, PARTICULARLY IN BUSINESS COMMUNITY, THAT GOG HAS BEEN OVERLY CONCERNED WITH INFLATION AND NOT CONCERNED ENOUGH ABOUT STAGNATION. MAJOR TOPICS IN SPEECH FOLLOW

2. CREDIT POLICY FOR 1975 - IS STILL BEING FORMULATED BUT CREDIT EXPANSION WILL BE LARGE. PRIVATE ENTERPRISE SHOULD BE READY TO TAKE ADVANTAGE OF FINANCING AND INCREASE PRODUCTION AND INVESTMENT

3. PUBLIC INVESTMENT - HE STATED THAT ALLEGATIONS HAVE BEEN MADE THAT PROPOSED 27 BILLION DRACHMAE PUBLIC INVESTMENT BUDGET MAY NOT BE SUFFICIENT TO STIMULATE ECONOMY. IF THIS THE CASE, GOG PREPARED TO INCREASE IT TO 30 OR EVEN 35 BILLION DRACHMAS

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4. INCOMES - REAL PURCHASING POWER OF WORKERS' AND EMPLOYEES'
INCOMES SHOULD NOT BE ALLOWED TO ERODE, SINCE RESULTING REDUCTION
IN DEMAND WOULD PREVENT REACTIVATION OF ECONOMY. PERIODIC WAGE
ADJUSTMENTS SHOULD ENSURE MAINTENANCE OF PURCHASING POWER, BUT SUCH
READJUSTMENTS WOULD HAVE TO BE RELATED TO INCREASED PRODUCTIVITY.

5. AGRICULTURAL SUBSIDIES - HE INDICATED THEY MAY REACH ABOUT
13 BILLION DRACHMAS.
KUBISCH

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